

Virginia Regulatory Town Hall Agency Background Document Proposed Regulation

Agency Name: Department of Social Services
VAC Number: 22 VAC 40-325
Regulation Title: Fraud Reduction/Elimination Effort
Action Title: Proposed Permanent Regulation
Date: April 23, 1999

Summary:

This regulation describes the requirements for local administration, and state requirements for local reimbursement, of the statewide fraud program, named Fraud Reduction/Elimination Effort, or Fraud FREE. Local departments of social services must operate the Fraud FREE program, submit for approval a local plan of operation, and comply with program regulations and policy in order to receive state reimbursement for the local share of costs of fraud investigators. The regulation also describes the method by which the state will approve requests for staffing for the first year, and subsequent years of program operation.

Basis:

The State Board of Social Services is mandated by §63.1-58.2,2 of the Code of Virginia to promulgate regulations for implementation of a statewide fraud control and prevention program.

Purpose:

This regulation defines state requirements for local operation of the Fraud FREE program, and describes the methodology by which local departments of social services may receive reimbursement for costs associated with program operation. Fraud FREE will ensure a uniform approach to welfare fraud control, prevention, and investigation through state supervision of the program, provision of a manual of policy and procedures, statewide training, and development of a data base which will be used for tracking case information. Fraud FREE also requires the investigation of all questionable applications for public assistance prior to approval of benefits. These combined efforts will result in overall increased efficiency and effectiveness of program operation. Fraud FREE will result in a savings of taxpayer dollars by providing tools and training to identify and investigate questionable or fraudulent public assistance cases, and assuring that benefits are received only by those eligible to receive them.

Substance:

This regulation will replace the Emergency Regulation signed by the Governor on January 19, 1999, which allowed operation of the Fraud FREE Program. Fraud FREE became effective April 1, 1999.

This regulation names the statewide fraud program as Fraud FREE, requires each local department of social services to operate Fraud FREE, and to submit to the state for approval a local plan of program operation. It also defines how requests for staffing will be approved, as well as the specifics of local reimbursement. In order to receive full reimbursement of local costs of operation, the state-retained portion of a local agency's combined collections must equal or exceed the reimbursed cost of its positions dedicated to Fraud FREE.

Issues:

The primary advantage to the public for implementing these regulations will be the establishment of a comprehensive welfare fraud control and prevention program to identify, investigate, and prevent fraud by public assistance recipients. Since the program will be funded through collection of overpayments, there should be no disadvantages to the public associated with program operation.

The primary advantages to the Department will be realization of a greater degree of program integrity, and increased emphasis on collection of overpayments. A disadvantage to the Department may be the belief of some local directors that allocation of program funding is insufficient, fueling further debate regarding "unfunded mandates" to local agencies. Start-up funding of Fraud FREE is not intended to cover the total local cost of operation, but is intended to help local agencies establish their programs, hire investigators, and strengthen their collection efforts.

Alternatives:

The Department did not consider alternatives, since promulgation of these regulations is required by §63.1-58.2,2 of the Code of Virginia.

Public Comment:

No comments were received by the Department of Social Services in response to the Notice of Intended Regulatory Action.

Clarity of the Regulation:

The Department believes that the regulation is clearly written and easily understood.

Periodic Review:

The Department will conduct a review of the regulation in January, 2003, to determine if the regulation should be continued, amended, or terminated.

Fiscal Impacts:

A full "Regulation Fiscal Impact Analysis" has been completed by Department staff, a copy of which is part of this package. It is projected that program costs will be funded through the state-retained portion of Temporary Assistance for Needy Families (TANF) and Food Stamp

collection of overpayments. A one-time non-reverting appropriation of \$750,000 was appropriated by the 1998 General Assembly to assist with program start-up costs.

CHANGES THE PROPOSED REGULATION WILL IMPLEMENT

This regulation will replace Emergency Regulations for the Fraud Reduction/Elimination Effort which became effective April 1, 1999.

AUTHORITY TO PROMULGATE

An amendment to § 63.1-58.2 of the Code of Virginia, enacted on July 1, 1998, requires the Department of Social Services to establish a statewide fraud control and prevention program. § 63.1-58.2,2 requires the State Board of Social Services to promulgate regulations to carry out the purposes of this amendment.

REASONING FOR PROMULATING

The State Board of Social Services is required under ? 63.1-58.2,2 of the *Code of Virginia* to promulgate regulations for implementation of a statewide fraud control and prevention program. These regulations name the program, require local departments of social services to submit for approval a locality operation plan, and describe funding allocation.

CONSIDERATION OF ALTERNATIVES

The Department did not consider alternatives, since promulgation of these regulations is required by § 63.1-58.2,2 of the Code of Virginia.

EXAMINATION OF REGULATION

The Department has examined the regulation and has determined that it is clearly written and easily understood. There have been no public comments received.

SCHEDULED REVIEW OF REGULATION

The Department will conduct a review of the regulation in January, 2003, to determine if the regulation should be continued, amended, or terminated.

Summary:

This regulation describes the requirements for local administration, and state requirements for local reimbursement, of the statewide fraud program, named Fraud Reduction/Elimination Effort, or Fraud FREE. Local departments of social services must operate the Fraud FREE program, submit for approval a local plan of operation, and comply with program regulations and policy in order to receive state reimbursement for the local share of costs of fraud investigators. The regulation also describes the method by which the state will approve requests for staffing for the first year, and subsequent years of program operation.

Basis:

The State Board of Social Services is mandated by §63.1-58.2,2 of the *Code of Virginia* to promulgate regulations for implementation of a statewide fraud control and prevention program.

Purpose:

This regulation defines state requirements for local operation of the Fraud FREE program, and describes the methodology by which local departments of social services may receive reimbursement for costs associated with program operation. Fraud FREE will ensure a uniform approach to welfare fraud control, prevention, and investigation through state supervision of the program, provision of a manual of policy and procedures, statewide training, and development of a data base which will be used for tracking case information. Fraud FREE also requires the investigation of all questionable applications for public assistance prior to approval of benefits. These combined efforts will result in overall increased efficiency and effectiveness of program operation. Fraud FREE will result in a savings of taxpayer dollars by providing tools and training to identify and investigate questionable or fraudulent public assistance cases, and assuring that benefits are received only by those eligible to receive them.

Substance:

This regulation will replace the Emergency Regulation signed by the Governor on January 19, 1999, which allowed operation of the Fraud FREE Program. Fraud FREE became effective April 1, 1999.

This regulation names the statewide fraud program as Fraud FREE, requires each local department of social services to operate Fraud FREE, and to submit to the state for approval a local plan of program operation. It also defines how requests for staffing will be approved, as well as the specifics of local reimbursement. In order to receive full reimbursement of local costs of operation, the state-retained portion of a local agency's combined collections must equal or exceed the reimbursed cost of its positions dedicated to Fraud FREE.

Issues:

The primary advantage to the public for implementing these regulations will be the establishment of a comprehensive welfare fraud control and prevention program to identify, investigate, and prevent fraud by public assistance recipients. Since the program will be funded through collection of overpayments, there should be no disadvantages to the public associated with program operation.

The primary advantages to the Department will be realization of a greater degree of program integrity, and increased emphasis on collection of overpayments. A disadvantage to the Department may be the belief of some local directors that allocation of program funding is insufficient, fueling further debate regarding "unfunded mandates" to local agencies. Start-up funding of Fraud FREE is not intended to cover the total local cost of operation, but is intended

to help local agencies establish their programs, hire investigators, and strengthen their collection efforts.

Alternatives:

The Department did not consider alternatives, since promulgation of these regulations is required by §63.1-58.2,2 of the Code of Virginia.

Public Comment:

No comments were received by the Department of Social Services in response to the Notice of Intended Regulatory Action.

Clarity of the Regulation:

The Department believes that the regulation is clearly written and easily understood.

Periodic Review:

The Department will conduct a review of the regulation in January, 2003, to determine if the regulation should be continued, amended, or terminated.

Fiscal Impacts:

A full "Regulation Fiscal Impact Analysis" has been completed by Department staff, a copy of which is part of this package. It is projected that program costs will be funded through the state-retained portion of Temporary Assistance for Needy Families (TANF) and Food Stamp collection of overpayments. A one-time non-reverting appropriation of \$750,000 was appropriated by the 1998 General Assembly to assist with program start-up costs.